

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 H-03 PA-04

PRS-01 USIA-15 NSC-07 SS-20 STR-08 CEA-02 PM-07 MC-02

DRC-01 /195 W

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R 221216Z JUL 74

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 0277

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 3252

E.O. 11652: N/A

TAGS: EFIN, SF

SUBJ: SOUTH AFRICAN RESERVE BANK HOLDINGS FOR JUNE 7 - JULY 12,
1974

REF: PRETORIA 2550

1. SOUTH AFRICAN RESERVE BANK HOLDINGS FOR WEEKS ENDING JUNE 7,
14, 21, 28, AND JULY 5 AND 12 AS FOLLOWS (IN MILLION RAND):

	GOLD	FOREIGN EXCHANGE	TOTAL
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JUNE 7	544.0 (UP 0.1)	244.9 (DOWN 10.7)	788.9 (DOWN 10.6)
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JUNE 14	544.5 (UP 0.5)	255.6 (UP 10.7)	800.1 (UPP 11.2)
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JUNE 21	545.6 (UP 1.1)	259.9 (UP 4.3)	805.5 (UP 5.4)
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JUNE 28	546.6 (UP 1.0)	230.0 (DOWN 29.9)	776.6 (DOWN 28.9)
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JULY 5	550.0 (UP 3.4)	199.7 (DOWN 30.3)	749.7 (DOWN 26.9)
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JULY 12 552.6 (UP 2.6) 197.8 (DOWN 1.9) 750.4 (UP 0.7)

2. TENDENCY TO ADD SMALL AMOUNTS OF GOLD TO RESERVES WAS ACCELERATED SHARPLY FIRST TWO WEEKS IN JULY WITH ADDITION APPROXIMATELY 5.75 TONS VALUED AT OFFICIAL PRICE OF R 6 MILLION. THIS CONSTITUTED APPROXIMATELY 20 PERCENT OF ESTIMATED 29 TONS PRODUCTION DURING PERIOD AND REPRESENTED LARGEST GOLD ADDITION TO RESERVE STOCK FOR 18 MONTHS. COMING AT TIME WHEN FREE MARKET GOLD PRICE AT LOWEST SINCE JANUARY 1974, SARB DECISION WITHHOLD GOLD FROM MARKET WOULD APPEAR REPRESENT EFFORT STEM FALL IN GOLD PRICE. LOCAL PRESS SPECULATES THAT BANK LIKELY TO RESUME SELLING MOST OF NEWLY MINED GOLD SHOULD PRICE STABILIZE WITHIN \$140 AND \$150 RANGE.

3. IN WEEK TO JULY 5, MINES RECEIVED AN AVERAGE OF \$112 PER OUNCE WHILE FREE MARKET PRICES HOVERED AROUND \$136. FOLLOWING WEEK, PAYMENTS TO MINES AVERAGED \$122 AND FREE MARKET PRICE AVERAGED \$139. SOUTH AFRICANS REGARD THIS AS EVIDENCE THAT RELATIVELY LARGE SCALE WITHHOLDINGS DURING THIS PERIOD CAUSED UPWARD PRESSURE ON MARKET PRICE.

4. IN MAJOR SPEECH AT INAUGURATION OF 1820 SETTLERS MONUMENT IN GRAHAMSTOWN ON 16 JULY, DEPUTY GOVERNOR OF RESERVE BANK, GERHARD DE KOCK, STATED BELIEF THAT RECENT INTERNATIONAL MONETARY DEVELOPMENTS DEMONSTRATE THAT GOLD STILL COMMANDS CONFIDENCE AS A MONETARY ASSET. DE KOCK ASSERTED THAT GOLD "IS ALIVE AND WELL, AND SO IS THE DOLLAR," AND FOR YEARS TO COME THE INTERNATIONAL MONETARY SYSTEM WILL CONTINUE REST ON TWIN PILLARS OF GOLD AND DOLLAR. HE STRESSED THAT SA'S PRO-GOLD STANCE, WHICH NOW SHARED, HE SAID, BY MOST IMF COUNTRIES, IS NOT ANTI-DOLLAR. HE SAID THAT IMPORTANCE OF DOLLAR AS A MAJOR RESERVE CURRENCY COULD HARDLY BE OVER-EMPHASIZED. "THE DOLLAR IS NOT JUST AN ORDINARY CURRENCY AND IT IS UNREALISTIC TO THINK THAT IT CAN BE TURNED INTO ONE FORTHWITH." DE KOCK ACKNOWLEDGED WIDESPREAD DESIRE TO MAKE SDR THE PRINCIPAL RESERVE ASSET AND NUMERAIRE OF THE MONETARY SYSTEM BUT ADDED THAT THERE IS NOW "MAJORITY SUPPORT" TO SEVER GOLD FROM OFFICIAL PRICE OF \$42 AND ALLOW IT TO FLOAT, AT LEAST IN INTERNATIONAL SETTLEMENTS BETWEEN BANKS.

HURD
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Message Attributes

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